

**MORGAN CITY HARBOR AND
TERMINAL DISTRICT**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/10/07

TABLE OF CONTENTS

Independent Auditor's Report	1-2
 FINANCIAL SECTION	
Financial Statements:	
Statement of net assets	4-5
Statement of revenues, expenses and changes in fund net assets	6
Statement of cash flows	7
Notes to the financial statements	8-16
 SUPPLEMENTAL INFORMATION	
 INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
Summary schedule of prior year findings	21
Schedule of findings and questioned costs	22
Management's corrective action plan for current year findings	23
 OTHER SUPPLEMENTARY INFORMATION	
Schedule of cost of sales and services	25
Schedule of general and administrative expenses	26
Schedule of per diem paid to board members	27



Darnall, Sikes, Gardes & Frederick.

(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Morgan City Harbor and Terminal District
Morgan City, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Morgan City Harbor and Terminal District (the District), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morgan City Harbor and Terminal District as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2006 on our consideration of the Morgan City Harbor and Terminal District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Morgan City Harbor and Terminal District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Morgan City Harbor and Terminal District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the respective financial statements taken as a whole.

Dannall, Sikes, Gaudes & Frederick
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
December 13, 2006

FINANCIAL SECTION

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Net Assets
June 30, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,338,860
Investments	288,563
Receivables	13,382
Due from others	12,263
Prepaid items	79,295
Other assets	<u>225</u>

Total current assets 1,732,588

Noncurrent assets:

Capital assets (net of accumulated depreciation)	<u>9,830,515</u>
--	------------------

Total assets \$ 11,563,103

LIABILITIES	
Current liabilities:	
Accounts payable	\$ 42,036
Other accrued liabilities	7,734
Refunding bonds	170,000
Compensated absences	<u>6,341</u>
Total current liabilities	<u>226,111</u>
NET ASSETS	
Invested in capital assets	9,830,515
Unrestricted	<u>1,506,477</u>
Total net assets	<u>11,336,992</u>
Total liabilities and net assets	<u>\$ 11,563,103</u>

The accompanying notes are an integral part of these financial statements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2006

Operating revenues:	
Charges for services	
Port revenues	\$ 92,134
Rentals	971,547
Rail car revenues	7,009
Other revenues	<u>7,141</u>
Total operating revenues	<u>1,077,831</u>
Operating expenses:	
Cost of sales and services	386,623
General and administrative	746,713
Depreciation	<u>355,450</u>
Total operating expenses	<u>1,488,786</u>
Operating loss	<u>(410,955)</u>
Nonoperating revenues (expenses):	
Ad valorem taxes	683,759
Intergovernmental	240,625
Interest earnings	21,538
Interest expense	<u>(11,534)</u>
Total nonoperating revenues	<u>934,388</u>
Change in net assets	523,433
Net assets, beginning	<u>10,813,559</u>
Net assets, ending	<u>\$ 11,336,992</u>

The accompanying notes are an integral part of these financial statements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Statement of Cash Flows
Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received for customers and users	\$ 1,112,772
Cash paid for goods and services	(1,062,504)
Payment for salaries and benefits	<u>(117,855)</u>
Net cash used by operating expenses	<u>(67,587)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Ad valorem taxes	675,069
Intergovernmental	<u>317,315</u>
Net cash provided by noncapital financing activities	<u>992,384</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	(12,882)
Payment on refunding bonds	(170,000)
Interest paid	<u>(11,534)</u>
Net cash used by capital and related financing activities	<u>(194,416)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(563)
Interest income	<u>21,538</u>
Net cash provided by investing activities	<u>20,975</u>
Net increase in cash and cash equivalents	751,356

Cash and cash equivalents--July 1, 2005	<u>587,504</u>
Cash and cash equivalents--June 30, 2006	<u>\$ 1,338,860</u>

**Reconciliation of operating loss to net cash
provided by operating activities:**

Operating loss	\$ (410,955)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	355,450
Decrease in accounts receivable	34,941
Decrease in prepaid expenses	18,600
Decrease in accounts payable	(62,884)
Decrease in payroll related payables	<u>(2,739)</u>
Total adjustments	<u>343,368</u>
Net cash used by operating activities	<u>\$ (67,587)</u>

The accompanying notes are an integral part of these financial statements.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 1 NATURE OF OPERATIONS

The Morgan City Harbor and Terminal District (the District) was created as a public corporation and political subdivision of the State of Louisiana under Louisiana Revised Statute 34:321 (m). The District is governed by a Board of Commissioners consisting of nine members appointed by the Governor. The board has the power to regulate the commerce and traffic of the District in such manner as may be best for the public interest; and it is empowered to own and have charge of, to administer, construct, operate and maintain wharves, warehouses, landing, docks, sheds, belt and connection railroads, shipways, canals, channels,, slips, basins, locks, elevators and other structures and facilities necessary and proper for the use and development of the business of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The District applies all GASB pronouncements as well as Financial Accounting Standards (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989.

Reporting Entity

Government Accounting Standards board (GASB) statement No. 14 has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board
 - a. The ability of the reporting entity to impose its will on the organization.
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations which are fiscally dependent
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship

The District is considered a related organization of the State of Louisiana. Although the Governor appoints the governing board, the State does not have a financial benefit of burden relationship with the District. Because the State does not have financial accountability for the District, the District is excluded from the reporting entity of the State. The nature of the State's relationship with the District is disclosed in the State's audited financial statements.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the State of Louisiana.

Fund Accounting

The accounts of the District are organized and operated on a fund basis (enterprise fund) whereby a separate self-balancing set of accounts that comprise assets, liabilities, net assets, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when incurred is used to account for the Enterprise Fund.

MORGAN CITY HARBOR AND TERINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include demand deposits and unrestricted money market accounts with original maturities of three months or less.

Accounts Receivable

The District uses the direct write off method to remove uncollectible receivable. This method approximates the allowance method required by accounting principles generally accepted in the United States of America.

Capital Assets

Capital assets associated with the activity of the District are recorded as assets of that fund. All purchased capital assets are valued at cost. Depreciation of these assets is computed on the straight-line method over the useful lives of the assets.

Investments

The District's investments are carried at fair value. Unrealized gains and losses are included in the investment earnings reported in the statement of revenues, expenses and changes in fund net assets.

Compensated Absences

Accumulated vacation and sick leave is accrued as an expense of the period in which incurred. Employees earn from 12 to 25 days of vacation and sick leave each year depending of the length of service with the District. Upon termination of employment, unused vacation and sick leave will be paid to employees at the employee's current rate of pay.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and interest bearing deposits include demand deposits and short term, highly liquid money market accounts. Under state law, the District may deposit funds with within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States

At June 30, 2006, the District has cash and cash equivalents (book balances) totaling \$1,338,860 as follows:

Demand Deposits	\$ 1,212,307
Money market account	<u>126,553</u>
Total cash and cash equivalents	<u>\$ 1,338,860</u>

Under state law, all funds deposited in a bank must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit held with the bank. These securities are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties (Category 3). Deposit balances (bank balances) at June 30, 2006 were fully secured as follows:

Bank balances	\$ 1,215,873
Federal deposit insurance	\$ 119,296
Pledged securities	<u>1,461,380</u>
Total	<u>1,580,676</u>
Excess of federal insurance and pledged securities over bank balances	<u>\$ (364,803)</u>

Even though the pledged securities are considered uncollateralized (Category 3) Louisiana R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

The money market account is held with Chase Bank and the balance is not secured by FDIC insurance or securities pledged, but is backed by the Securities Investor Protection Corporation.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 4 INVESTMENTS

Investments of the District are limited by Louisiana Revised Statute 33:2955. If the original maturity of the investment exceeds 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. The carrying amount/fair market value of investments is summarized as follows:

	<u>Interest Rate</u>	<u>Market Value/Carrying Amount</u>
Certificates of Deposit	Various	\$ <u>288,563</u>

NOTE 5 AD VALOREM TAXES

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects property taxes for the District using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

For the year ended June 30, 2006, 4.59 mills were authorized and dedicated to the District.

Total taxes collected were \$675,069. Total taxes receivable at June 30, 2006 were \$8,690.

NOTE 6 INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the year ended June 30, 2006 consisted of the following:

State of Louisiana Revenue Sharing	\$ 38,720
Feasibility Study	<u>201,905</u>
Total	\$ <u>240,625</u>

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MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 7 CAPITAL ASSETS

A summary of changes in capital assets and depreciation for the year ended June 30, 2006 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets:				
Furniture and Fixtures	\$ 100,642	\$ 12,883	\$ -	\$ 113,525
Wharf	4,944,740	-	(39,010)	4,905,730
Dock	8,418,005	-	(30,241)	8,387,764
Sheet Piling	1,200,000	-	-	1,200,000
Leasehold Improvements	78,052	-	-	78,052
Marshalling Yard	256,826	-	-	256,826
Railroad Spur	<u>852,158</u>	<u>-</u>	<u>-</u>	<u>852,158</u>
Total capital assets	<u>15,850,423</u>	<u>12,883</u>	<u>(69,251)</u>	<u>15,794,055</u>
Less accumulated depreciation for:				
Furniture and Fixtures	(99,473)	(2,308)	-	(101,781)
Wharf	(1,243,249)	(113,771)	39,010	(1,318,010)
Dock	(3,836,090)	(180,456)	30,241	(3,986,305)
Sheet Piling	(210,000)	(30,000)	-	(240,000)
Leasehold Improvements	(76,851)	(1,190)	-	(78,041)
Marshalling Yard	(38,525)	(6,421)	-	(44,946)
Railroad Spur	<u>(173,153)</u>	<u>(21,304)</u>	<u>-</u>	<u>(194,457)</u>
Total accumulated depreciation	<u>(5,677,341)</u>	<u>(355,450)</u>	<u>69,251</u>	<u>(5,963,540)</u>
Capital assets, net	<u>\$ 10,173,082</u>	<u>\$ (342,567)</u>	<u>\$ -</u>	<u>\$ 9,830,515</u>

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MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN DEBT OBLIGATIONS

The following is a summary of the debt obligation transactions during the year.

	Balance at July 1, 2005	Additions	Reductions	Balance at June 30, 2006	Due Within One Year
Refunding bonds	\$ 340,000	\$ -	\$ (170,000)	\$ 170,000	\$ 170,000
Compensated absences	<u>11,779</u>	<u>-</u>	<u>(5,438)</u>	<u>6,341</u>	<u>6,341</u>
	<u>\$ 351,779</u>	<u>\$ -</u>	<u>\$ (175,438)</u>	<u>\$ 176,341</u>	<u>\$ 176,341</u>

In March 2003 the board issued \$665,000 of "Refundable Bonds Series 2003" of the Morgan City Harbor and Terminal District for the purpose of paying a portion of the cost of effecting a current refunding of the outstanding principle amount \$820,000 of the refunded certificates. The bonds are dated April 1, 2003 and bear interest at the rate of 3.3% per annum, payable on each interest payment date, commencing September 1, 2003 and mature serially on March 1, 2007.

NOTE 9 LEASE REVENUES

The District's revenues include the leasing of land and improvements under cancelable operating leases. The leases are accounted for using the operating method whereby the amount of revenue recognized in each accounting period is equivalent to the amount of rent receivable according to the provisions of the lease.

NOTE 10 LEASE EXPENSE COMMITMENTS

The District leases land and buildings under noncancelable operating leases. Total costs for such leases were \$87,614 for the year ended June 30, 2006. The future minimum lease payments for these leases are as follows:

Year Ended June 30,	Amount
2007	\$ 88,863
2008	90,206
2009	<u>91,607</u>
	<u>\$ 270,676</u>

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Notes to the Financial Statements

NOTE 11 SUBSEQUENT EVENT - LITIGATION

On November 20, 2006, the Morgan City Harbor and Terminal District agreed to pay \$20,000 in an out of court arrangement resulting from an alleged premature termination of an employee on July 12, 2006. Insurance will cover \$5,000 of this settlement and the remaining balance of \$15,000 will be paid directly by the District. The amount will be charged to operations in the 2007 fiscal year.

NOTE 12 PENSION PLAN

Substantially all employees of the District are members of the Louisiana State Employees Retirement System (System), a cost-sharing, multiple-employer public employee retirement system (PERS). The System is a statewide public retirement system, which is organized for the purpose of providing retirement and other benefits for employees of the state and its various departments and agencies and their beneficiaries, and is administered and controlled by a separate board of trustees. Contributions of participating state agencies are pooled within the System to fund accrued benefits, with contribution rates approved by the Louisiana Legislature.

All full-time District employees are eligible to participate in the System. Benefits vest with 10 year of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 percent of their highest consecutive 36-month average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. The System also provides death and disability benefits. Benefits are established by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Covered employees are required by state statute to contributed 7.5 percent of gross salary and the District is required to contribute at an actuarially determined rate. The current rate is 19.1 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by R.S. 11:102, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the result of the valuation from the prior fiscal year. The Morgan City Harbor and Terminal District's contributions to the System for the years ended June 30, 2006, 2005, and 2004, were \$12,576, \$5,409, and \$4,144, respectively, equal to the required contributions for each year.

**MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA**

Notes to the Financial Statements

NOTE 13 POSTRETIREMENT HEALTHCARE BENEFITS

The District provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the District's employees become eligible for these benefits if they reach normal retirement age while working for the District. These benefits for retirees are similar benefits for active employees and are provided through the Louisiana State Employees Group Benefits Program. Retirees' monthly premiums are paid jointly by the retiree and the District. Monthly premiums for active employees are paid by the District. The District recognizes the cost of providing these benefits (District's portion of premiums) as expenditures when paid during the year. The District did not have any retired employees receiving benefits for the year ended June 30, 2006.

NOTE 14 CORRECTION OF AN ERROR

The financial statements for June 30, 2005 have been restated to correct an error. The error is the result of erroneous non-accrual of prepaid lease expenses. Correction of this error results in an increase in net assets of \$42,152. This correction has no effect on current year net income.

**SUPPLEMENTAL
INFORMATION**

**INTERNAL CONTROL
AND
COMPLIANCE**



Darnall, Sikes, Gardes & Frederick.

(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners
Morgan City Harbor and Terminal District
Parish of St. Mary, State of Louisiana
Morgan City, Louisiana

We have audited the financial statements of the Morgan City Harbor and Terminal District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Morgan City Harbor and Terminal District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Morgan City Harbor and Terminal District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Morgan City Harbor and Terminal District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

Member of:
American Institute of
Certified Public Accountants

Society of Louisiana
Certified Public Accountants

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described as 2006-1 is a material weakness.

This report is intended for the information of the management of the organization and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document; therefore, its distribution is not limited.

Dannall, Sikes, Gardes & Frederick
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
December 13, 2006

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Summary Schedule of Prior Year Findings
Year Ended June 30, 2006

There were no prior year findings.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on the Morgan City Harbor and Terminal District's financial statements as of and for the year ended June 30, 2006.

Reportable Conditions – Financial Reporting

One reportable condition over financial reporting was disclosed during the audit of the financial statements and is shown as item 2006-1 and is considered a material weakness.

Material Noncompliance – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended June 30, 2006.

Part 2: Findings Relating to an Audit in Accordance with *Governmental Auditing Standards*

2006-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of accounting personnel, the District did not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Part 3: Finding and Questioned Costs Relating to Federal Programs

At June 30, 2006, the Morgan City Harbor and Terminal District did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore, this section is not applicable.

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Management's Corrective Action Plan For Current Year Findings
Year Ended June 30, 2006

Response to Finding 2006-1:

No response is considered necessary.

**OTHER
SUPPLEMENTARY
INFORMATION**

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Cost of Sales and Services
For the Year Ended June 30, 2006

Dock Expenses:	
Security	\$ 14,589
Contracted Services	56,892
Fuel	1,277
Insurance	10,083
Repairs and Maintenance	89,201
Dock Supplies	73
Dock Telephone	59
Dock Utilities	1,116
Miscellaneous	<u>757</u>
Warehouse Expenses:	
Maintenance	15,958
Supplies	1,738
Utilities	<u>442</u>
Rental Expense:	
Repairs and Maintenance	<u>3,433</u>
Feasibility Studies	<u>191,005</u>
Total Cost of Sales and Services	<u>\$ 386,623</u>

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of General and Administrative Expenses
For the year ended June 30, 2006

Accounting	\$ 6,000
Advertising	4,480
Bad Debt	14,818
Bank Charges	165
Car Allowance	6,650
Assessor's Compensation	22,791
Computer Maintenance	4,819
Professional Services	363,407
Dues and Subscriptions	3,496
Marketing and Promotions	6,068
Insurance	51,100
Internet Charges	411
Janitorial	3,489
Pest Control	360
Office Supplies	4,738
Postage	393
Lease Expense	87,614
Printing	250
Repairs and Maintenance	18,874
Salaries and Benefits	101,503
Telephone	10,069
Conference and Travel	16,529
Utilities	16,477
Miscellaneous	<u>2,212</u>
Total General and Administrative	<u>\$ 746,713</u>

MORGAN CITY HARBOR AND TERMINAL DISTRICT
PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Per Diem Paid to Board Members
For the Year Ended June 30, 2006

<u>Commissioner</u>	<u>Amount</u>
Larry Doiron	\$ -
Raymond Wade	-
Gregory Aucoin	-
Earl Hebert	-
Wallace Carline	-
Jerry Gauthier	-
Bill New	-
Steve Orlando	-
Willie Tezeno	-
	<hr/>
Total	\$ <hr/>